

VILLAGE OF CEMENT CITY
LENAWEE COUNTY AND
JACKSON COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
JUNE 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Cement City	County Lenawee/Jackson
Audit Date 6/30/05	Opinion Date 11/13/05	Date Accountant Report Submitted to State: 12/8/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

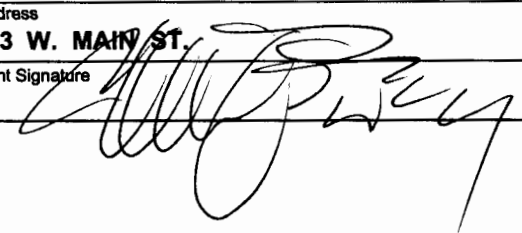
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) PHILIP R. RUBLEY, CPA			
Street Address 133 W. MAIN ST.	City MORENCI	State MI	ZIP 49256
Accountant Signature 		Date 12/8/05	

**VILLAGE OF CEMENT CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

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VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2005

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Village of Cement City, Michigan government-wide basis. They are designed to present a longer-term view of the Village's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Village's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Village maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and local street each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. There were no nonmajor funds at June 30, 2005.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds. The Village maintains one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its public works and general maintenance equipment. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2005

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Village include general government, public safety, public works, parks and recreation and community development. There are no business-type activities for the Village at June 30, 2005.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Other Information

The Village has reported under required supplementation information, information about the General Fund and Major Type Funds.

VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2005

The Village As A Whole

The Village's net assets for the year ended June 30, 2005 decreased by 2.6% over the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Village is fiscally able to continue to provide necessary services.

The governmental activities reflect net assets of \$807,266.

By far the largest portion of the Village's net assets (74 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2005

VILLAGE OF CEMENT CITY, MICHIGAN
STATEMENT OF ACTIVITIES

	Governmental Activities
	<u>2005</u>
<u>Revenue</u>	
Program Revenue:	
Charges for Services	\$ 3,725
Operating Grants and Contributions	---
General Revenue:	
Property Taxes	57,026
Grants and Contributions Not Restricted To Specific Program	88,950
Interest Income	3,440
(Loss) on Disposal of Fixed Assets	<u>(1,513)</u>
Total Revenue	<u>151,628</u>
<u>Expenses</u>	
General Government	26,175
Public Safety	20,393
Public Works	118,925
Community and Economic Development	200
Recreation	612
Other Functions	<u>6,664</u>
Total Expenses	<u>172,969</u>
Increase (Decrease) In Net Assets	<u>(21,341)</u>
Net Assets Beginning of Year	<u>828,607</u>
Net Assets End of Year	<u>\$807,266</u>

VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2005

VILLAGE OF CEMENT CITY, MICHIGAN
STATEMENT OF NET ASSETS

Governmental
Activities

2005

Assets

Current and Other Assets
Capital Assets

\$216,176
608,631

Total Assets

824,807

Liabilities

Other Liabilities
Notes Payable

2,780
14,761

Total Liabilities

17,541

Net Assets

Invested in Capital Assets,
Net of Related Debt
Unrestricted

593,870
213,396

Total Net Assets

\$807,266

Government Activities

Government activities decreased the Village's net assets by \$21,341.

The Village's Funds

Our analysis of the Village's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

General Fund Budgetary Highlights

Differences between the original budget and amended budget were insignificant.

**VILLAGE OF CEMENT CITY, MICHIGAN
Management's Discussion and Analysis
June 30, 2005**

Capital Assets

The Village's investment in capital assets for its governmental activities as of June 30, 2005, amounted to \$608,631 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, roads, highways, and bridges. The total increase in the Village's investment in capital assets for the current year was 2.0%.

Economic Factors And Next Year's Budget And Rates

The Village's budget for 2005-2006 fiscal years has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at P.O. Box 187, Cement City, Michigan 49233.

PHILIP R. RUBLEY

- Certified Public Accountant -

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

November 13, 2005

Members Of The Village Council
Village of Cement City
P.O. Box 187
Cement City, Michigan 49233

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Cement City, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Cement City, Michigan, management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

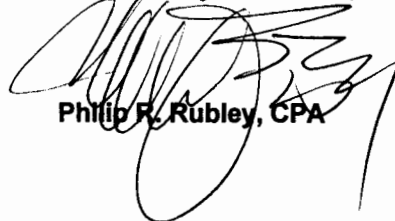
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Cement City, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Village of Cement City
November 13, 2005

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Cement City, Michigan basic financial statements.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Philip R. Rubley', is written over the printed name.

Philip R. Rubley, CPA

PRR/cab

VILLAGE OF CEMENT CITY
Government-wide Statement of Net Assets
June 30, 2005

	Governmental Activities
<u>Assets</u>	
Cash and Equivalents	\$196,833
Receivables - Net	12,299
Prepaid Items and Other Assets	7,044
Capital Assets Not Being Depreciated	45,000
Capital Assets Being Depreciated - Net	<u>563,631</u>
Total Assets	<u>\$824,807</u>
<u>Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 2,780
Notes Payable - OSB - Tractor	<u>14,761</u>
Total Liabilities	<u>17,541</u>
<u>Net Assets</u>	
Invested In Capital Assets, Net of Related Debt	593,870
Unrestricted	<u>213,396</u>
Total Net Assets	<u>807,266</u>
Total Liabilities and Net Assets	<u>\$824,807</u>

VILLAGE OF CEMENT CITY
Government-wide Statement of Activities
For The Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
Primary Government				
Governmental Activities:				
General Government	\$ 26,175	\$2,650	\$ ---	\$ (23,525)
Public Safety	20,393	1,075	---	(19,318)
Public Works	118,925	---	---	(118,925)
Community and Economic Development	200	---	---	(200)
Recreation	612	---	---	(612)
Other Functions	<u>6,664</u>	<u>---</u>	<u>---</u>	<u>(6,664)</u>
Total Governmental Activities	<u>172,969</u>	<u>3,725</u>	<u>---</u>	<u>(169,244)</u>
General Revenues:				
Property Taxes				57,026
Grants and Contributions Not Restricted To Specific Programs				88,950
Unrestricted Investment Earnings				---
(Loss) on Disposal of Fixed Assets				<u>3,440</u> <u>(1,513)</u>
Total General Revenues, Contributions and Transfers				<u>147,903</u>
Change In Net Assets				(21,341)
Net Assets, Beginning of Year				<u>828,607</u>
Net Assets, End of Year				<u>\$ 807,266</u>

**VILLAGE OF CEMENT CITY
Governmental Funds
Balance Sheet
June 30, 2005**

	General Fund
<u>ASSETS</u>	
Cash and Cash Equivalents	\$110,261
Prepaid Expenses	7,044
Due From Other Funds	2,368
Receivable From Other Governments	<u>8,194</u>
Total Assets	<u>\$127,867</u>
<u>LIABILITIES</u>	
Accounts Payable/Accrued Liabilities	\$ 2,753
Due to Other Funds	<u>25</u>
Total Liabilities	<u>2,778</u>
<u>FUND BALANCES</u>	
Unreserved	<u>125,089</u>
Total Fund Balances	<u>125,089</u>
Total Liabilities and Fund Balances	<u>\$127,867</u>

The notes to financial statements are an integral part of this statement.

Major Street Fund	Local Street Fund	Total Governmental Funds
\$54,295	\$19,775	\$184,331
---	---	7,044
---	15	2,383
<u>3,172</u>	<u>933</u>	<u>12,299</u>
<u>\$57,467</u>	<u>\$20,723</u>	<u>\$206,057</u>
\$ ---	\$ ---	\$ 2,753
<u>861</u>	<u>592</u>	<u>1,478</u>
<u>861</u>	<u>592</u>	<u>4,231</u>
<u>56,606</u>	<u>20,131</u>	<u>201,826</u>
<u>56,606</u>	<u>20,131</u>	<u>201,826</u>
<u>\$57,467</u>	<u>\$20,723</u>	<u>\$206,057</u>

VILLAGE OF CEMENT CITY
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
June 30, 2005

Fund Balances – Total Governmental Funds

\$ 201,826

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital Assets

1,619,283

Deduct: Accumulated Depreciation

(1,048,599)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add: Net assets of governmental activities accounted for in the internal service fund.

34,756

Net Assets of Governmental Activities

\$ 807,266

VILLAGE OF CEMENT CITY
Governmental Funds
Statement of Revenue, Expenditures, and Changes In Fund Balances
For The Year Ended June 30, 2005

	General Fund
<u>REVENUES</u>	
Taxes	\$ 57,026
Intergovernmental	43,531
Licenses and Permits	1,075
Interest	3,058
Other	<u>2,648</u>
Total Revenue	<u>107,338</u>
<u>EXPENDITURES</u>	
Current:	
General Government	24,228
Public Safety	19,349
Public Works	22,652
Community Economic Development	200
Capital Outlay	22,025
Other Functions	<u>6,664</u>
Total Expenditures	<u>95,118</u>
Excess of Revenue Over (Under) Expenditures	12,220
Other Financing Sources (Uses)	
Transfers In	---
Transfers (Out)	<u>(10,000)</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>
Net Change In Fund Balances	2,220
Fund Balances – Beginning of Year	<u>122,869</u>
Fund Balances – End of Year	<u>\$125,089</u>

The notes to financial statements are an integral part of this statement.

Major Street Fund	Local Street Fund	Total Governmental Funds
\$ ---	\$ ---	\$ 57,026
34,356	11,063	88,950
---	---	1,075
286	44	3,388
---	---	2,648
<u>34,642</u>	<u>11,107</u>	<u>153,087</u>
---	---	24,228
---	---	19,349
13,560	22,855	59,067
---	---	200
---	---	22,025
---	---	6,664
<u>13,560</u>	<u>22,855</u>	<u>131,533</u>
21,082	(11,748)	21,554
---	19,231	19,231
<u>(9,231)</u>	<u>---</u>	<u>(19,231)</u>
<u>(9,231)</u>	<u>19,231</u>	<u>---</u>
11,851	7,483	21,554
<u>44,755</u>	<u>12,648</u>	<u>180,272</u>
<u>\$56,606</u>	<u>\$ 20,131</u>	<u>\$201,826</u>

VILLAGE OF CEMENT CITY
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
June 30, 2005

Net Change In Fund Balances – Total Governmental Funds

\$ 21,554

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital Outlay

22,025

Deduct: Depreciation Expense

(58,133)

Add: Net revenue over expense in internal service fund included in government activities

(6,787)

Change In Net Assets Of Governmental Activities (Decrease)

\$ (21,341)

VILLAGE OF CEMENT CITY
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Governmental Activities
	<u>Internal Service Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$12,502
Due to Other Funds	509
Noncurrent Assets:	
Property and Equipment - Net	<u>37,946</u>
Total Non-Current Assets	<u>37,946</u>
Total Assets	<u>\$50,957</u>
Liabilities	
Current Liabilities:	
Due to Other Funds	\$ 1,440
Current Portion of Note Payable	<u>3,420</u>
Total Current Liabilities	<u>4,860</u>
Non-Current Liabilities	
Notes Payable - OSB - Tractor	<u>11,341</u>
Total Non-Current Liabilities	<u>11,341</u>
Total Liabilities	<u>16,201</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	23,185
Unrestricted	<u>11,571</u>
Total Net Assets	<u>\$34,756</u>

VILLAGE OF CEMENT CITY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended June 30, 2005

	Governmental Activities
	<u>Internal Service Fund</u>
Operating Revenues	
Charges for Services	<u>\$12,407</u>
Operating Expenses	
Salaries and Wages	3,205
Fringe Benefits	247
Contractual Services	1,020
Supplies and Materials	5,456
Depreciation	6,658
Utilities	1,065
Interest Expense	<u>82</u>
Total Operating Expenses	<u>17,733</u>
Operating (Loss)	<u>(5,326)</u>
Other Income	
Interest Income	<u>52</u>
Total Other Income	<u>52</u>
Other Deductions	
(Loss) on Disposal of Fixed Assets	<u>(1,513)</u>
Total Other Deductions	<u>(1,513)</u>
(Loss)	<u>(6,787)</u>
Net Assets, Beginning of Year	<u>41,543</u>
Net Assets, End of Year	<u>\$34,756</u>

VILLAGE OF CEMENT CITY
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2005

	Governmental Activities
	<u>Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ ---
Cash Received Usage Charged	12,407
Cash Payment to Suppliers For Goods and Services/Employees	<u>(10,992)</u>
Net Cash Provided (Used)	<u>1,415</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	(23,036)
Loan Principal Payments	(275)
Interest Payments	(82)
Proceeds on Disposal of Fixed Assets	<u>8,000</u>
Net Cash (Used) by Capital and Related Financing Activities)	<u>(15,393)</u>
Cash Flows From Investing Activities	
Notes Payable - Equipment	15,036
Due to, Due from Other Funds	1,226
Interest Income	<u>52</u>
Net Cash Provided (Used) by Investing Activities	<u>16,314</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,336
Cash and Cash Equivalents, Beginning of Year	<u>10,166</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,502</u>
Reconciliation to Statement of Net Assets	
Cash and Cash Equivalents	<u>\$ 12,502</u>
	<u>\$ 12,502</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF CEMENT CITY
Statement of Cash Flows (Concluded)
Proprietary Funds
For The Year Ended June 30, 2005

	Governmental Activities
	<u>Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating (Loss)	\$ (6,787)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Net Book Value of Disposed Asset	9,513
Depreciation/Amortization	6,658
Changes in Assets and Liabilities:	
Due from Other Funds	(128)
Due to Other Funds	1,355
Current Portion Long-Term Debt	<u>3,420</u>
Net Cash Provided (Used) by Operating Activities	<u>14,031</u>
Cash Flows from Capital Activities:	
Acquisition of Capital Assets	<u>(23,036)</u>
Net Cash (Used) from Capital Activities	<u>(23,036)</u>
Cash Flows From Financing Activities:	
Principal Paid on Note	(275)
Notes Payable - Equipment - Long-Term	<u>11,616</u>
Net Cash (Used) from Financing Activities	<u>11,341</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,336
Cash and Cash Equivalents, Beginning of Year	<u>10,166</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,502</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF CEMENT CITY
Fiduciary Funds – Statement of Net Assets
June 30, 2005

	<u>Other Agency Funds</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$2,194
Other Receivable	<u>25</u>
Total Assets	<u>\$2,219</u>
<u>Liabilities</u>	
Other Payables	<u>\$2,219</u>
Total Liabilities	<u>\$2,219</u>

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Cement City, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Village of Cement City, Michigan is governed by an elected council. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2005

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of Village streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

The Local Street Fund is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of Village streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

Additionally, the government reports the following fund types:

The Agency Funds account for assets held by the Village acting as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges for equipment usage. Operating expenses for internal service fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The internal service fund is combined with governmental activities and not shown as a business type activity.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2005

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2005

6. **Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of May of each year, the Council presents the proposed budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Village Council.

- B. **Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2005, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Assessing	\$ ---	\$ 125	\$ 125
Appraisal	---	700	700
Transfer Out	5,500	10,000	4,500
Public Safety:			
Inspections	---	1,045	1,045
Capital Outlay	---	22,025	22,025
Community Economic Development	---	200	200

NOTE 3 - DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Village are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Village or its agent in the Village's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2005

	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Checking and Saving Acct.	\$100,000	\$99,027	\$ ---	\$99,027	\$199,027
	<u>\$100,000</u>	<u>\$99,027</u>	<u>\$ ---</u>	<u>\$99,027</u>	<u>\$199,027</u>

Balance Sheet Cash And Cash Investments

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Village's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC) (FSLIC)	\$100,000
Uninsured:	
Uncollateralized	<u>99,027</u>
Total	<u>\$199,027</u>

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Other	\$ 45,000	\$ ---	\$ ---	\$ 45,000
	<u>45,000</u>	<u>---</u>	<u>---</u>	<u>45,000</u>
Capital Assets, Being Depreciated:				
Buildings	108,685	---	---	108,685
Vehicles	37,180	---	---	37,180
Equipment	59,117	45,061	(18,412)	85,766
Infrastructure	<u>1,445,801</u>	<u>---</u>	<u>---</u>	<u>1,445,801</u>
Total Capital Assets Being Depreciated	<u>1,650,783</u>	<u>45,061</u>	<u>(18,412)</u>	<u>1,677,432</u>
Less Accumulated Depreciation For:				
Buildings	(24,806)	(3,168)	---	(27,974)
Vehicles	(33,209)	(3,718)	---	(36,927)
Equipment	(25,690)	(4,573)	8,899	(21,364)
Infrastructure	<u>(974,204)</u>	<u>(53,332)</u>	<u>---</u>	<u>(1,027,536)</u>
Total Accumulated Depreciation	<u>(1,057,909)</u>	<u>(64,791)</u>	<u>8,899</u>	<u>(1,113,801)</u>
Total Capital Assets, Being Depreciated, Net	<u>592,874</u>	<u>(19,730)</u>	<u>(9,513)</u>	<u>563,631</u>
Governmental Activities Capital Assets, Net	<u>\$ 637,874</u>	<u>\$ (19,730)</u>	<u>\$ (9,513)</u>	<u>\$ 608,631</u>

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2005

Depreciation expense was charged to functions/programs of the Village as follows:

Governmental Activities:

General Government	\$ 1,947
Public Safety	1,044
Public Works	54,530
Recreation	612
Capital Assets Held By The Government's Internal Service Funds Are Charged To The Various Functions Based On Their Usage Of The Assets.	6,658

Total Depreciation Expense Governmental Activities	<u>\$64,791</u>
---------------------------------------------------------------	------------------------

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2005, the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$2,368	\$ 25
Major Street	---	861
Local Street	15	592
Internal Service	509	1,439
Trust & Agency	25	---
	<u>\$2,917</u>	<u>\$2,917</u>

NOTE 6 – TRANSFERS

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted, to or allowed for debt services from the funds collecting the receipts to the debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs, accounted for in other funds in accordance with budgetary authorizations.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ ---	\$10,000
Major Street	---	9,231
Local Street	19,231	---
	<u>\$19,231</u>	<u>\$19,231</u>

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2005

NOTE 7 – LONG-TERM DEBT:

The following is a summary of the governmental long-term obligations at June 30, 2005.

	<u>John Deere Tractor/Loader</u>
Balance at July 1, 2004	\$ ---
Additions	15,036
Deletions	<u>(275)</u>
Balance at June 30, 2005	14,761
(Less) Current Portion Due Within One Year	<u>(3,420)</u>
Total Due After One Year	<u>\$11,341</u>

Notes Payable – OSB Community Bank

The Village has taken out a loan to purchase a John Deere Tractor and Loader. Payments are made monthly at \$357 including Interest at 6.511% per annum starting June 17, 2005.

<u>Year Ending June 30</u>	<u>Interest</u>	<u>Principle</u>	<u>Balance</u>
2006	\$ 860	\$ 3,420	\$11,341
2007	631	3,649	7,692
2008	386	3,894	3,798
2009	<u>125</u>	<u>3,798</u>	---
	<u>\$2,002</u>	<u>\$14,761</u>	

Summary of long-term debt due over next five years.

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 3,420
2007	3,649
2008	3,894
2009	<u>3,798</u>
	<u>\$14,761</u>

NOTE 8 – PROPERTY TAXES:

Property taxes are assessed and are levied.

Property taxes attach as an enforceable lien on the property as of January 1.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2005

NOTE 9 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

VILLAGE OF CEMENT CITY
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$100,000	\$100,000	\$122,869	\$ 22,869
Taxes and Assessments	51,850	51,850	57,026	5,176
Intergovernmental	45,000	45,000	43,531	(1,469)
Licenses and Permits	1,000	1,000	1,075	75
Interest	1,650	1,650	3,058	1,408
Other	1,500	1,500	2,648	1,148
Amounts Available for Appropriation	<u>201,000</u>	<u>201,000</u>	<u>230,207</u>	<u>29,207</u>
<u>Charges to Appropriations (Outflows)</u>				
General Government				
Office/Council	11,400	11,400	5,410	5,990
Treasurer	6,600	6,600	6,551	49
Assessing	---	---	125	(125)
Clerk	6,000	6,000	5,636	364
Elections	1,000	1,000	---	1,000
Attorney/Auditing	6,000	6,000	2,715	3,285
Buildings and Grounds	10,000	10,000	3,091	6,909
Appraisal	---	---	700	(700)
	<u>41,000</u>	<u>41,000</u>	<u>24,228</u>	<u>16,772</u>
Public Safety				
Police	15,000	15,000	14,804	196
Inspections	---	---	1,045	(1,045)
Fire	3,500	3,500	3,500	---
	<u>18,500</u>	<u>18,500</u>	<u>19,349</u>	<u>(849)</u>
Community Economic Development				
Zoning	---	---	200	(200)
Public Works				
Street Maintenance & Lighting	7,000	7,000	6,869	131
Sanitation	16,000	16,000	15,783	217
	<u>23,000</u>	<u>23,000</u>	<u>22,652</u>	<u>348</u>
Capital Outlay	---	---	22,025	(22,025)
Other Functions	13,000	13,000	6,664	6,336
Transfers to Other Funds	5,500	5,500	10,000	(4,500)
Total Charges to Appropriations	<u>101,000</u>	<u>101,000</u>	<u>105,118</u>	<u>(4,118)</u>
Ending of Year Fund Balance	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$125,089</u>	<u>\$ 25,089</u>

VILLAGE OF CEMENT CITY
Budgetary Comparison Schedule
Major Street Fund (Major Special Revenue Fund)
For The Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$50,000	\$50,000	\$44,755	\$ (5,245)
Intergovernmental	32,000	32,000	34,356	2,356
Interest	<u>300</u>	<u>300</u>	<u>286</u>	<u>(14)</u>
 Amounts Available for Appropriation	 <u>82,300</u>	 <u>82,300</u>	 <u>79,397</u>	 <u>(2,903)</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Works	19,300	19,300	13,560	5,740
Transfers to Other Funds	<u>13,000</u>	<u>13,000</u>	<u>9,231</u>	<u>3,769</u>
 Total Charges to Appropriations	 <u>32,300</u>	 <u>32,300</u>	 <u>22,791</u>	 <u>9,509</u>
 Ending of Year Fund Balance	 <u>\$50,000</u>	 <u>\$50,000</u>	 <u>\$56,606</u>	 <u>\$ 6,606</u>

VILLAGE OF CEMENT CITY
Budgetary Comparison Schedule
Local Street Fund (Major Special Revenue Fund)
For The Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$ ---	\$ ---	\$12,648	\$12,648
Intergovernmental	11,000	11,000	11,063	63
Interest	100	100	44	(56)
Transfers from Other Funds	<u>13,500</u>	<u>13,500</u>	<u>19,231</u>	<u>5,731</u>
Amounts Available for Appropriation	<u>24,600</u>	<u>24,600</u>	<u>42,986</u>	<u>18,386</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Works	<u>27,000</u>	<u>27,100</u>	<u>22,855</u>	<u>4,245</u>
Total Charges to Appropriations	<u>27,100</u>	<u>27,100</u>	<u>22,855</u>	<u>4,245</u>
Ending of Year Fund Balance	<u>\$ (2,500)</u>	<u>\$ (2,500)</u>	<u>\$20,131</u>	<u>\$22,631</u>

PHILIP R. RUBLEY

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

November 13, 2005

**Members Of The Village Council
Village of Cement City
P.O. Box 187
Cement City, Michigan 49233**

We have examined the accompanying financial statements of the Village of Cement City, Michigan and each major fund, and the aggregate remaining fund and net asset information, which comprises the basic financial statements as listed in the table of contents. We issued our report thereon dated November 13, 2005. As a part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Village's system of internal accounting control for the year ended June 30, 2005, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

1. CAPITAL OUTLAY

It is imperative that proper records be maintained for capital assets and infrastructure which exceeds your limit of \$1,500, and detail of items disposed of during each year.

Village of Cement City
November 13, 2005

2. **CHART OF ACCOUNTS**

Continue to follow the new chart of accounts after implementation of GASB 34.

3. **MILEAGE REIMBURSEMENTS**

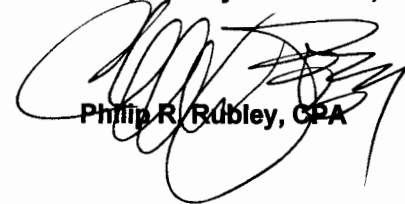
The Village has exceeded the mileage reimbursement limitations set-up by the Internal Revenue Service, these create taxable income over the maximum allowed. Rates are as follows for 2005 thru 2006:

January 1, 2005 thru August 31, 2005	40.5 cents
September 1, 2005 thru December 31, 2005	48.5 cents
January 1, 2006 thru December 31, 2006	44.5 cents

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated November 13, 2005, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab